Attachment 4.19-A
(04/03)

Development of Outlier Rates of Payment.

(a) Short Stay Outliers. Payments for short stay outlier days shall be made at a per diem calculated by multiplying the days of actual length of stay below the short stay threshold by the short stay per diem rates defined in this subdivision. The short stay per diem rate shall be determined by dividing the hospital's DRG case-based rate of payment determined pursuant to section 86-1.52(a)(1) by the hospital's group average arithmetic inlier LOS for the DRG and multiplying the result by the short stay adjustment factor of 150 percent. For rate periods April 1, 1996 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005, the short stay adjustment factor shall be 100 percent. In cases where the group average arithmetic inlier length of stay for the DRG is equal to one, the short stay adjustment factor shall not be applied. Budgeted capital costs determined pursuant to section 86-1.59 of this Subpart shall be added to the per diem.

(b) Long stay outliers. Payments for long stay outlier days shall be made at a per diem rate calculated by multiplying the days of the actual length of stay in excess of the long stay outlier threshold by 60 percent of the per diem obtained by dividing the group average DRG operating cost per discharge defined in section 86-1.54 (b) of this Subpart by the hospital's group average arithmetic inlier length of stay for the DRG. For rate periods April 1, 1996 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005, 50 percent of the per diem shall be used in the calculation. This result shall be multiplied by the percent for the group average reimbursable inpatient operating cost determined pursuant to section 86-1.53 of this Subpart. These payments shall include a health care services allowance of .614 percent for rate year 1994 and .637 percent for the period January 1, 1995 through June 30, 1995 of the hospital's non-Medicare reimbursable inpatient costs computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58.

(1) For the period April 1, 1995 through December 31, 1995, a health care services allowance of 1.42 percent of the hospital's non-Medicare reimbursable inpatient costs computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58; and

(2) For the period January 1, 1996 through March 31, 1997, a health care services allowance of 1.09 percent of the hospitals non-Medicare reimbursable inpatient costs computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58.614 percent for rate year 1994 and .637 percent of the rate year 1995 of the hospital's non-Medicare reimbursable inpatient costs computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58.

TN 03-06 Approval Date JAN 28 2004

Supersedes TN _____ Effective Date ~~APR - 1 2003~~

Attachment 4.19-A
(04/03)

(a) The commissioner shall establish trend factors for hospitals to project the effects of price movements on historical operating costs. Rates of payment excluding capital, as calculated pursuant to the provisions of section 86-1.52 of this Subpart, shall be trended to the applicable rate year by the trend factors developed in accordance with the provision of this section for rate periods through March 31, 2000.

(b) The methodology for establishing the trend factors shall be developed by a panel of four independent consultants with expertise in health economics or reimbursement methodologies for health-related services appointed by the commissioner.

(c) The methodology shall include the appropriate external price indicators and the data from major collective bargaining agreements as reported quarterly by the Federal Department of Labor, Bureau of Labor Statistics, for non-supervisory employees. For 1996 through December 31, 1999, the commissioner shall apply the 1995 trend factor methodology.

(d) The commissioner shall implement one interim adjustment to the trend factors, based on recommendations of the panel, and one final adjustment to the trend factors. Such adjustment shall reflect the price movement in the labor and non labor components of the trend factor. At the same time adjustments are made to the trend factors in accordance with this subdivision, adjustments shall be made to all inpatient rates of payment affected by the adjusted trend factor.

(e) Trend factors used to project reimbursable operating costs to the rate period April 1, 1995 to December 31, 1995 shall not be applied in the development of the rates of payment. This section shall not apply to trend factors, adjusted trend factors of final trend factors used for the January 1, 1995 to December 31, 1995 rate period for purposes of projecting allowable operating costs to subsequent rate periods.

(f) Trend factors used to project reimbursable operating costs to the rate period commencing April 1, 1996 through March 31, 1997, shall not be applied in the development of the rates of payment. This section shall not apply to trend factors or final trend factors used for the January 1, 1995 through December 31, 1995 or January 1, 1996 to March 31, 1996 rate period for purposes of projecting allowable operating costs to subsequent rates periods.

(g) Trend factors used to project reimbursable operating costs to rate periods commencing July 1, 1999 through March 31, [2003] 2005, shall reflect no trend factor projections or adjustments for the period April 1, 1996 through March 31, 1997.

JAN 2 8 2004

TN 03-06 Approval Date _____

Supersedes TN _____ Effective Date APR - 1 2003

Capital expense reimbursement for DRG case based rates of payment. Capital expense shall not include capital expense allocated to exempt units and designated AIDS centers.

(a) The allowable costs of fixed capital (including but not limited to depreciation, rentals and interest on capital debt or, for hospitals financed pursuant to Article 28-B of the Public Health Law, amortization in lieu of depreciation, and interest and other approved expenses associated with both fixed capital and major movable equipment) and major movable equipment shall, with the exception noted in subdivisions (c), (g), (h), (i) and (j) of this section, be reimbursed based on budgeted data and shall be reconciled to total actual expense for the rate year and shall be determined and computed in accordance with the provisions of sections 86-1.23, 86-1-24, 86-1.29, 86-1.30 and 86-1.32 of this Subpart. In order for budgeted expenses to be reconciled to actual:

(1) Rates of payment for a general hospital shall be adjusted to reflect the dollar difference between budgeted capital related inpatient expenses included in the computation of rates of payment for a prior rate period and actual capital related inpatient expenses for the same prior rate period. For rates commencing April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005, if a factor for the reconciliation of budgeted to actual capital related inpatient expenses for a prior year is included in the capital related inpatient expenses component of rates of payment, such component shall be reduced by the difference between the applicable reconciled capital related inpatient expenses for such prior year, and capital related inpatient expenses for such prior year calculated based on a determination of costs related to services provided to beneficiaries of the Title XVIII federal social security act (Medicare) based on the hospital's average capital related inpatient expenses computed on a per diem basis.

(2) This amount shall be adjusted to reflect increases or decreases in volume for the same rate period.

(3) Capital related inpatient expenses included in the computation of payment rates based on budget shall not be included in the computation of

transferred out patient days and which shall be reconciled to actual rate year days) and the non-exempt hospital's average budgeted capital cost per day calculated using total non-exempt budgeted days. Budgeted capital costs shall be reconciled to actual capital costs for the non-exempt hospital in the rate year after these data are available based upon the non-Medicare share of capital costs derived by subtracting Medicare capital costs from total capital costs. Medicare capital costs shall be determined based upon the hospital's average capital related inpatient per diem effective through March 31, 1999 and from July 1, 1999 through March 31, [2003] 2005. Total Medicare capital these ancillary costs added to the routine portion of Medicare inpatient capital, adjusted shall be for secondary payors.

(3) Allocation to payments for transfer patients and short-stay patient. Budgeted capital costs shall be allocated to payments for transferred patients and short-stay patients based on estimated non-exempt unit non-Medicare days reconciled to actual rate year days.

(f) Payment for budgeted allocated capital costs.

(1) Capital per diems for exempt units and hospitals shall be calculated by dividing the allocated non-Medicare capital costs identified in paragraph (e)(1) of this section by the 1985 exempt unit days, reconciled to rate year days and actual rate year exempt unit or hospital approved capital expense.

(2) Capital payments for DRG case-based rates shall be determined by dividing the budgeted capital allocated to such rates by the hospital's most recently available annual non-Medicare, non-exempt unit discharges.

[and actual rate year non-exempt unit or hospital-approved capital expense.]

(3) Capital payments for transferred and short stay patients shall be the non-exempt hospital's average budgeted capital cost per day determined pursuant to paragraphs (2) and (3) of subdivision (e) of this section.

(g) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005 the capital related inpatient expense component of the rate shall be based on the budgeted capital related expense applicable to the rate year decreased to reflect the percentage amount by which the budget for the applicable base year's capital related inpatient expense exceeded actual expense.

(h) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005 rates of payment for inpatient acute care services associated with the capital related expense component and the capital cost per visit components shall be adjusted to exclude such expenses related to the following:

(i) 44% of major moveable equipment

(ii) staff housing.

RESERVED

[and actual rate year non-exempt unit or hospital-approved capital expense.

(3) Capital payments for transferred and short stay patients shall be the non-exempt hospital's average budgeted capital cost per day determined pursuant to paragraphs (2) and (3) of subdivision (e) of this section.

(g) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, 2000, the capital related inpatient expense component of the rate shall be based on the budgeted capital related inpatient expense applicable to the rate year decreased to reflect the percentage amount by which the budget for the applicable base year's capital related expense exceeded actual expense.

(h) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, 2000, rates of payment for inpatient acute care services associated with the capital related inpatient expense component and the capital cost per visit components shall be adjusted to exclude such expenses related to the following:

(i) 44% of major moveable equipment
(ii) staff housing.]

RESERVED

[and actual rate year non-exempt unit or hospital-approved capital expense.

(3) Capital payments for transferred and short stay patients shall be the non-exempt hospital's average budgeted capital cost per day determined pursuant to paragraphs (2) and (3) of subdivision (e) of this section.

(g) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31, 2003, the capital related inpatient expense component of the rate shall be based on the budgeted capital related expense applicable to the rate year decreased to reflect the percentage amount by which the budget for the applicable base year's capital related inpatient expense exceeded actual expense.

(h) Effective April 1, 1995 through March 31, 1999 and July 1, 1999 through March 31 2003, rates of payment for inpatient acute care services associated with the capital related expense component and the capital cost per visit components shall be adjusted to exclude such expenses related to the following:

(i) 44% of major moveable equipment
(ii) staff housing.]

to the final determinations on all facility appeals statewide submitted in accordance with this subparagraph.

(iii) The case mix adjustment percentage determined pursuant to this paragraph shall be prospectively applied and subsequently reconciled upon the conclusion of the appeal process as identified in subparagraph (ii) of this subparagraph.

(iv) For the rate years commencing January 1, 1997 through September 30, 1999, the maximum allowable increase in the Medicaid statewide average reported case mix in an historical rate year shall not exceed, on a cumulative basis, one percent from the 1996 Medicaid statewide average reported case mix for the 1997 rate year and an additional one per cent per year from the 1996 Medicaid statewide average reported case mix. Effective for the period October 1, 1999 through March 31, [2003] 2005, the maximum allowable increase in the Medicaid statewide average reported case mix shall not exceed four percent for the period October 1, 1999 through December 31, 2000 plus an additional one percent per year thereafter. The methodology used to adjust rates of payment for the periods commencing January 1, 1997 and thereafter shall be the same as that described in subparagraphs (i) – (iii) of this paragraph, however, the data used to determine any and all case mix indexes shall be based on discharges for only those patients that are eligible for medical assistance pursuant to title eleven of article five of the social services law, including such patients enrolled in health maintenance organizations. In addition, the 1996 adjustment determined pursuant to subparagraphs (i) – (iii) of this paragraph shall be added to the adjustments determined in this subparagraph.

(iii) A bad debt and charity care allowance, a health care services allowance and a financially distressed allowance as determined pursuant to the provisions of section 86-1.65 of this Subpart.

(d) Rates of Payment for Acute Care Children's Hospitals. Hospital services provided to non-Medicare patients in acute care children's hospitals shall be reimbursed on a diagnosis-related group basis composed of:

(1) 1994 reimbursable operating costs computed on the basis of the hospital's reimbursable operating costs as defined in paragraph (a)(4) of this section and statistical data for the same period. The base year Medicare share of these costs will be removed in accordance with paragraph (a)(5) of this section. The non-Medicare hospital operating costs shall be trended to the rate year pursuant to section 86-1.58 of this Subpart and further adjusted for changes in volume and case mix from the base to the rate year using total reimbursable non-Medicare costs and statistics of the hospital pursuant to section 86-1.64 of this Subpart. The DRG specific operating cost component shall be computed utilizing one-hundred percent hospital specific reimbursable costs with no adjustment for long stay or high cost outliers pursuant to section 86-1.54(f)(1) and (3) of this Subpart.

(2) The acute cost component computed on the basis of budgeted capital costs allocated to the inpatient portion of the hospital pursuant to the provisions of section 86-1.59 of this Subpart, divided by the budgeted discharges and shall be reconciled to total actual expenses and discharges;

(4) A health care services allowance of .614 percent for rate year 1994 and .637 percent for rate year 1995 of the hospitals' non-Medicare reimbursement inpatient costs computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58.

(5) Discrete long stay and high cost outlier rates of payment shall not be paid.

(6) For rates of payment for the period April 1, 1996 through July 31, 1996, the operating cost component of rates of payment, excluding any operating cost components related to direct and indirect expenses of graduate medical education for Acute Care Children's Hospitals as determined pursuant to this paragraph shall be reduced by 5%, for the period August 1, 1996 through March 31, 1997 shall be reduced by 2.5% and for the period April 1, 1997 through March 31, 1999 and July 1, 1999 through March 31, [2003] 2005 the operating cost component of rates of payment, excluding any operating cost components related to direct and indirect expenses of graduate medical education, shall be reduced by 3.33% to encourage improved productivity and efficiency.